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Canada Canadian Trade Relations, Standing
Committee on, 1947/48.
1947-48

THE SENATE OF CANADA)

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PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 6

WEDNESDAY, APRIL 21, 1948

CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES:

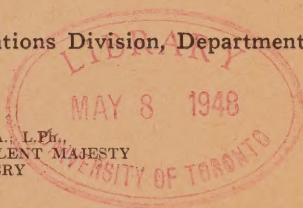
Mr. Louis Couillard, Commercial Relations, Department of Trade and Commerce.

Mr. H. B. McKinnon, Chairman, Tariff Board.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

OTTAWA

EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948



ORDER OF REFERENCE

(EXTRACT from the Minutes of the Proceedings of the Senate 15
December, 1947)

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

L. C. MOYER,
Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. Euler, P.C., *Chairman*

The Honourable Senators

Ballantyne	Dennis	McKeen
Beaubien (<i>Montarville</i>)	Dessureault	McLean
Bishop	Duffus	Moraud
Blais	Euler	Nicol
Buchanan	Gouin	Paterson
Burchill	Haig	Pirie
Calder	Howard	Riley
Campbell	Hushion	Robertson
Crerar	Jones	Turgeon
Daigle	Kinley	Vaillancourt
Davies	Macdonald (<i>Cardigan</i>)	White—(34).
	MacLennan	

MINUTES OF PROCEEDINGS

WEDNESDAY, April 21, 1948.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators:—Euler, *Chairman*; Burchill, Campbell, Crerar, Davies, Howard, Kinley, MacDonald (*Cardigan*), McLean, Nicol, Pirie, Robertson, Vaillancourt and White—14.

The official reporters of the Senate were in attendance.

The Committee resumed consideration of the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. Louis Couillard, Commercial Relations, Department of Trade and Commerce, was heard with respect to the Havana Conference on Tariffs and Trade, and was questioned.

Mr. H. B. McKinnon, Chairman, Tariff Board, was again heard and was questioned.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce, was again heard and questioned.

On motion of the Honourable Senator Howard, seconded by the Honourable Senator White, it was—

1. Your Committee have in obedience to the order of reference of 15th December, 1947, considered the subject matter of the General Agreement on Tariffs and Trade, including the protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the Complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

2. Your Committee have heard the following witnesses:—

Mr. H. B. McKinnon, Chairman, Tariff Board.

Mr. J. J. Deutsch, Director of Economic Relations Department of Finance.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

Dr. A. E. Richards, Economist, Department of Agriculture.

Mr. G. C. Cowper, Chief of Foreign Tariff Section, Department of Trade and Commerce.

Mr. Louis Couillard, Commercial Relations, Department of Trade and Commerce.

3. Your Committee submit herewith a copy of the evidence adduced before the Committee.

At 12.15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

H. ARMSTRONG,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, April 21, 1948.

Pursuant to the order of reference of December 15, 1947, the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m., and proceeded to the consideration of the subject-matter of the General Agreement on tariffs and trade negotiated at the second session of the Preparatory Committee of the United Nations Conference on trade and employment, held at Geneva from April 10 to October 30, 1947.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: I was not present at the last meeting. Perhaps the leader of the government will explain the purpose of the meeting today.

Hon. Mr. ROBERTSON: I think, honourable senators, those who were present will recall that we had a meeting at which we pretty well completed any evidence that we required. On the other hand we thought that, in the absence of the chairman, we had better not complete it until he returned, so this meeting is to clean it up, if we see fit, and to report back to the Senate accordingly, so that the debate on the trade agreement can proceed. I asked Mr. McKinnon and the others to come here in case there are any further questions which anyone wishes to ask.

Perhaps you will remember that during our sessions we were discussing the fact that negotiations were, as a matter of fact, going on at Havana. Mr. Deutsch is away today, but one of the officials who was present at Havana is here, in case the committee would be interested in hearing from him briefly on what changes were made there as compared with the original Geneva agreements. That, plus questions on any matter that anybody would like to have information on, plus the possible adoption of a report to make back to the Senate, would cover today's proceedings.

The CHAIRMAN: We cannot do that today because no reports have been drawn up.

Hon. Mr. ROBERTSON: Yes, there is the tentative one. However, our procedure is to hear whatever evidence there is and to table it, which in effect means that the debate proceeds if and when the Senate sees fit.

The CHAIRMAN: I was not present at the last meeting. Unfortunately I was out of the country, but I take it you had a pretty full explanation then of the concessions, if you may call them such, that were made to other countries and more particularly to the United States. Was that completed?

Hon. Mr. ROBERTSON: That was completed so far as that meeting was concerned.

The CHAIRMAN: Then if the meeting so wishes at this time we might hear from our representative who was at the Havana Conference.

Mr. McKINNON: I might explain that Mr. Deutsch is in New York attending another meeting of the United Nations, but Mr. Louis Couillard took part in all the proceedings in Havana and will be able to tell the committee where and to what extent the Havana discussions changed the agreement as it was drafted at Geneva.

Mr. LOUIS COUILLARD (Commercial Relations and Foreign Tariffs Division): Mr. Chairman and honourable senators, I should like to say first that I was

only one of several delegates and advisers at Havana, and consequently my knowledge of the full picture of proceedings at the Havana Conference is qualified by that fact. However, I have tried on relatively short notice to gather together the main changes that were incorporated in G.A.T.T. (General Agreement on Tariffs and Trade) at Havana at the first session of the Contracting Parties. With the permission of the Chairman I should like first to make a few general remarks some of which are not applicable to G.A.T.T., before going into the actual details.

Obviously a full resume, of even the main changes made in the text of the General Charter, would be a relatively lengthy process. There were a number of drafting changes which clarified the text; there was also a good deal of spelling out of the provisions as they emerged from Geneva and as they emerged from discussions at Havana. Even in cases when the Geneva text was not changed as a result of discussions at Havana, there were a number of interpretations which apply to the text of Part II of the General Agreement as we have it now. Although these interpretations did not find their way into the Charter or its interpretative notes, they did find their way into the records of the meetings and these interpretations will have a high evidential value for future interpretation of the Agreement as well as of the Havana Charter.

As for G.A.T.T. which is our subject matter here, I might add that G.A.T.T. is not in all cases, as I think Mr. Deutsch has told you, an exact reproduction of the corresponding articles of the Geneva text. Obviously a full reproduction was not necessary nor was it feasible in all cases. Many provisions of the Geneva articles which found their way into G.A.T.T. were not applicable to the General Agreement on Tariffs and Trade and consequently were not inserted.

One example I have in mind is the chapter in the Geneva text dealing with the settlement of disputes. That chapter was considerably condensed and found its way into G.A.T.T. under the title, "Nullification and Impairment." Reference to the International Court of Justice, for instance, was not necessary in the G.A.T.T. In other words, at Geneva, only those provisions of the Geneva charter which were necessary to safeguard the tariff concessions, i.e. the schedules, were incorporated into the General Agreement. In addition, in a few cases there are provisions in G.A.T.T. which were not in the Geneva charter. You will remember that the Geneva Conference finished its work on the charter provisions in August, whereas negotiations on G.A.T.T. carried on until October. There were a few points of detail which emerged from the latter discussions which were consequently added to G.A.T.T. but which had not been inserted in the Geneva charter.

I have mentioned these points to illustrate the fact that we must preface a comparison of corresponding Havana and G.A.T.T. provisions by realizing that there were, even before Havana, differences between the G.A.T.T. text and the corresponding Geneva charter text.

The CHAIRMAN: I do not want to interrupt you, but is it not so that some of the smaller undeveloped countries wanted to escape from the provisions of the Geneva agreement? They wanted to make a great many exceptions, as they feared that if tariff restrictions were removed and freedom of trade established they would be swamped by the more highly developed countries? Did that point come up?

Mr. COUILLARD: No, that point did not come up in establishing the text of G.A.T.T. As I have said, the reason there were differences between the Geneva and the G.A.T.T. texts on corresponding articles was simply a question of feasibility and of the applicability of those provisions in a trade and tariff agreement.

The CHAIRMAN: Do you say that the matter I am speaking of now was not discussed? I have heard criticism that the purpose of the Geneva conference

was pretty well nullified by those escape clauses that were insisted upon by the smaller, undeveloped countries. Was that not discussed there?

Mr. COUILLARD: Yes, that particular question was fully debated but that was in connection with the charter provisions.

Hon. Mr. KINLEY: What is G.A.T.T.?

Mr. COUILLARD: The General Agreement on Tariffs and Trade, sir.

Hon. Mr. KINLEY: That is the general agreement that we have got here?

Mr. COUILLARD: Yes, sir. Therefore we are starting any comparison of texts with existing differences between the Geneva text and G.A.T.T., and at the time when full supersession comes to be discussed, obviously there will be present those differences between the Havana charter and the corresponding articles of the General Agreement, in all cases where the Geneva text was not changed at Havana.

The CHAIRMAN: Do you mean there will be a complete supersession of what was done at Geneva?

Mr. COUILLARD: No sir, a supersession of the existing articles in the Geneva Agreement by the corresponding articles in the Havana charter pursuant to article XXIX of G.A.T.T. The supersession will not be in all cases a full supersession, because certain provisions of corresponding articles of the Havana charter simply do not apply, as I have said, in the case of G.A.T.T. That is the point I made in connection with the differences between the Geneva text and the General Agreement text, and what I am saying is that the same will be true as regard the Havana text when it comes to be adapted to G.A.T.T.

After those general remarks, I should like to pass to a brief report of the actual changes which have been made in the provisions of the general agreement since it was first drafted. These changes are only in the text of G.A.T.T. and not in its tariff schedules.

The first session of the CONTRACTING PARTIES to G.A.T.T. was held in Havana concurrently with the Havana Conference. The main questions discussed at the First Session of the CONTRACTING PARTIES related to the emergency supersession of some articles of G.A.T.T. by the new text of corresponding articles of the Havana charter, and to some amendments consequential upon certain agreements reached on the charter provisions.

With your permission, Mr. Chairman, I might outline briefly only main changes of that nature which were made. These changes are contained in four Protocols and one Declaration which were signed by the representatives of all or most of the contracting parties.

The CHAIRMAN: Did all the countries join in that?

Mr. COUILLARD: The contracting parties to the agreement only, sir, plus in certain cases, the countries which were at Geneva but which are not contracting parties to G.A.T.T.

The CHAIRMAN: There would be some countries outside of that scope.

Mr. COUILLARD: That is correct, sir. There were twenty-three countries, you will remember, who signed the final act at Geneva. The countries who signed the final act at Geneva but who are not contracting parties, attended these G.A.T.T. meetings as participating observers.

The first protocol I might mention was entitled "Protocol Modifying certain Provisions of General Agreement on Tariffs and Trade." This protocol was signed by the twenty-three signatories to the Geneva Final Act; in other words, by all parties, not only contracting parties, to the general agreement.

The CHAIRMAN: Were there any countries represented there as observers who are what we call behind the Iron Curtain?

Mr. COUILLARD: I could read the full list.

The CHAIRMAN: Just give it generally.

Mr. COUILLARD: There was no question of political limitation raised in the G.A.T.T. meetings.

The CHAIRMAN: But were any countries there that do not belong to what we call the western group? Was Czechoslovakia there?

Mr. COUILLARD: Czechoslovakia was at Geneva, and consequently attended the first session of the contracting parties as a participating observer.

Hon. Mr. KINLEY: At Havana?

Mr. COUILLARD: At Havana, sir.

Hon. Mr. CRERAR: Did Czechoslovakia sign the Geneva Agreement? Was she a party to it?

Mr. COUILLARD: Czechoslovakia signed the final act at Geneva.

The CHAIRMAN: But she was at Havana only as an observer.

Mr. COUILLARD: As an observer in connection with the meeting of the contracting parties. She was a full participant at the Havana Conference which was concerned with the Charter for an International Trade Organization.

One change resulting from this protocol entitled—to refresh your memory—"Protocol Modifying Certain Provisions of the General Agreement on Tariffs and Trade", was in paragraph 5 of Article XXV. This was a change consequential upon a change made in article 17 of the Havana charter. Article 17 contains an obligation on the part of members to negotiate to reduce tariffs and preferences. The main provision of this addition to article XXV reads as follows:

If any contracting party has failed without sufficient justification to carry out with another contracting party negotiations of a kind described in paragraph 1 of Article 17 of the Havana Charter, the contracting parties—

meaning the contracting parties acting jointly as a committee, so to speak

—may upon complaint and after investigation, authorize the complaining contracting party to withhold from the other the concessions incorporated in the relevant schedule of this Agreement.

That, as I have said, is consequential upon a change made in Article 17 of the Havana charter, and the sentence I have just read gives you the substance of the change.

Hon. Mr. BURCHILL: You used the words "without justification". Who determines whether there is justification?

Mr. COUILLARD: The complaining contracting party would obviously, in its own mind, feel that the other contracting party has not entered into negotiations, and that it has failed to do so without justification. If the party which has not entered negotiations does not deem that to be correct—as it generally would in this case—then after unsuccessful consultations the case will be brought before the contracting parties acting jointly, and a decision will be made by them.

The CHAIRMAN: What decision can be made? Could they compel the offending country to carry out the agreement?

Mr. COUILLARD: I do not believe so: they could not compel any country.

The CHAIRMAN: Could they expel them?

Mr. COUILLARD: They could authorize the complaining contracting party to withhold from the offending contracting party the extension of tariff concessions as contained in the latter's schedule; if the offending contracting party is not satisfied with the decision reached, there is provision for his withdrawal from the agreement.

There was a second consequential change provided for in the protocol under discussion. You will remember that admission to G.A.T.T. of non-contracting parties was subject to the unanimity rule; in other words, a country could not come into G.A.T.T. unless the entry enjoyed the unanimous approval of all G.A.T.T. members.

The CHAIRMAN: Can they withdraw for any reason whatsoever?

Mr. COUILLARD: Yes; there is a withdrawal clause, sir. The effect of this change is that the unanimity rule is now changed to a two-thirds vote. Two-thirds of the members of G.A.T.T. may now decide to admit a non-G.A.T.T. member to the General Agreement on Tariffs and Trade. Those were the two main changes resulting from this particular Protocol; most of the other changes are questions of drafting. This protocol remained open for signature by contracting parties, until April 15, so it is now closed.

Hon. Mr. KINLEY: Is it true that all members of the United Nations can join if they wish to? Are they all charter members?

Mr. COUILLARD: Yes, that is correct, sir. There is an obligation in the Havana Charter that countries shall negotiate tariffs pursuant to Article 17, to which I have referred, and those tariff concessions which are negotiated are then to be incorporated in the General Agreement on Tariffs and Trade. It is envisaged that all charter members will eventually come into G.A.T.T., i.e., they will become contracting parties to the general agreement on tariffs and trade.

Hon. Mr. CRERAR: When you speak of "charter members", do you mean United Nations?

Mr. COUILLARD: No, I am sorry, I mean Havana Charter, i.e., I.T.O. Members.

Hon. Mr. KINLEY: That is United Nations. Havana was the United Nations Senate. It superseded Geneva, and tried to get the United Nations to father the whole thing. Is that not correct?

Mr. COUILLARD: The invitations sent to countries to attend the Havana Conference were sent regardless of whether a country was a member of the United Nations or not. For example, Switzerland attended the Havana conference although she is not a member of the United Nations.

There was a second protocol signed, which was entitled "Special Protocol Relating to Article XXIV of the Geneva Agreement on Tariffs and Trade." Eight out of nine contracting parties signed this Protocol under which they agree to accept the amendment which the protocol contains, before the 1st of June, 1948.

Article XXIV deals with the questions of territorial application, frontier traffic, customs unions and free-trade areas. The Geneva text which we now have in G.A.T.T. was rather more limited, particularly with respect to customs unions, and did not provide for the formation of free-trade areas. The Havana conference amended Article 42 of the Geneva charter, it is now three Articles numbered 42, 43 and 44 in the Havana text, which brings in some changes. The main ones of which, as I have said, permit the formation of free-trade areas, permit non-members of I.T.O. to enter into customs unions or free-trade areas with members, provided the organization approves by a two-thirds majority vote. There are a few other changes, with which I should not bother the committee.

In the territorial application provisions of the article, there was a new sub-paragraph added, which provides for advantages to be accorded to the Free Territory of Trieste, by contiguous countries, as long as those advantages are not in conflict with peace treaties resulting from the second World War.

This protocol, therefore, replaces the G.A.T.T. text dealing with territorial application, frontier traffic, customs unions and free-trade areas, with the new

Havana text provisions on those matters. The protocol remains open for signature until the 1st of June, 1948. On or before that date the new provisions will supersede the existing provisions of G.A.T.T. The protocol is based on the amendment procedure of G.A.T.T., Article XXX.

The CHAIRMAN: I should like to ask a question there. Did the Havana conference make any change in the agreements made at Geneva, or that was contained in the original charter, with regard to the obligation of the countries to repeal a ban? I refer to an absolute ban on the import of any product.

Mr. COUILLARD: Reading the records of the committee, which I had to do hurriedly, I saw that this question was discussed before. There are certain provisions in G.A.T.T., the interpretation of which enjoys the support of our legal experts, which permits the maintenance of a ban. Obviously, we have to discuss particular products, or the ban on specific products, since the provisions do not necessarily apply equally well, say to commodity "x" and to commodity "y". I should say, however, that there are certain provisions which can be interpreted in such a way within the spirit of the agreement or of the Havana charter, which do permit a complete prohibition of certain commodities.

The CHAIRMAN: You are not exactly answering my question. Did the Havana conference make any change with regard to the obligation to remove the ban on the import of certain commodities? Did Havana make any change in what was arranged at Geneva?

Mr. COUILLARD: As far as I know, the actual provision by which a country may not impose a ban on a commodity was not changed. The general rule still obtains. There were however certain exceptions to the general rule both under Geneva and under Havana texts and some of them, although not fundamentally changed, were given an interpretation such as the type I spoke of earlier; that is, interpretative notes and records of meetings now exist which permit the prohibition of certain commodities which were not previously covered in that way.

The CHAIRMAN: On margarine?

Mr. COUILLARD: On margarine, yes, sir.

The CHAIRMAN: It is merely an interpretation of what was done at Geneva.

Mr. COUILLARD: There was made at Havana an addition to Geneva Article 18, in the form of an interpretative note, which taken with Article 45, now makes it clear that the embargo on margarine can be maintained.

The CHAIRMAN: That is not in accordance with the view of the negotiators at Geneva, or the intent of the agreement made there. Mr. McKinnon can answer that question.

Mr. McKINNON: Mr. Chairman and honourable senators, I should like to say that at Geneva the matter of prohibition of imports was discussed in very general terms. There was provision for the usual standard type of prohibition of importation, namely on the grounds of the health of humans, the health of animals, etc. Margarine, in respect of the Canadian situation, was definitely discussed qua margarine.

The CHAIRMAN: Did you ask the participating countries to make an exception of margarine?

Mr. McKINNON: No, I don't think we asked them to make an exception of margarine, Mr. Chairman, but the matter of margarine came up, because some of the participating countries were aware of the ban on margarine in the Canadian legislation.

The CHAIRMAN: The United States, for example?

Mr. McKINNON: Certainly; and others were interested, particularly some of those who would be potential suppliers of vegetable oils to this country. They were aware of this ban. The general view undoubtedly at the end of

Geneva was that the article in the General Agreement to which Mr. Couillard has referred would not in future permit the continuance of the prohibition.

The CHAIRMAN: And you signed the agreement in good faith with that understanding?

Mr. McKINNON: The leader of our delegation, of course, was the only one who signed. There was no question in the minds of the Canadian delegation—

The CHAIRMAN: And it was so understood by the other countries.

Mr. McKINNON: —as such. I would not want to impose my interpretation, Mr. Chairman, as to what was in their minds, but I would say that in my opinion most countries that were interested in that particular question understood that in consequence of the General Agreement, Canada could not continue the ban on the importation.

The CHAIRMAN: And that was your own understanding?

Mr. McKINNON: That was certainly my own understanding.

The CHAIRMAN: Thank you.

Mr. McKINNON: Now, as Mr. Couillard says, I am given to understand that since the Geneva agreement was tabled the matter has been referred to the Department of Justice, and that the Department of Justice has ruled or given an opinion that, under certain articles of the Geneva agreement, in particular if two articles are read in conjunction, it would be possible for Canada to continue to prohibit the importation of margarine.

The CHAIRMAN: But that was not your understanding of what was intended?

Mr. McKINNON: As a negotiator, and as a layman, it was definitely not my understanding, nor do I think it was the understanding of any member of the delegation. But those members of this committee who happen to be lawyers will readily understand that legal experts differ in their interpretations of statutes, or what may become statutes, and I am told that the Department of Justice is of the view that, even despite the Geneva agreement, it is permissible, if Parliament wishes to do so, to continue the ban on the importation of margarine.

The CHAIRMAN: In other words, the technicalities of the interpretation of the law override the clear understanding that you had when you made the agreement. That is all.

Hon. Mr. ROBERTSON: I think it is not fair to add that. He is giving us an explanation.

The CHAIRMAN: He has given a full explanation. I am satisfied to leave it at that.

Hon. Mr. NICOL: Yes. That is an argument.

Hon. Mr. CRERAR: May I ask a question which, I think, is quite fair? Canada accepts, for illustration, the opinion of its law officers that it has the power to continue the ban. Take the United States, which is a country which exports margarine: suppose it takes the position that this is contrary to the Geneva agreement?

Mr. McKINNON: Yes?

Hon. Mr. CRERAR: Now, there is a difference of opinion between two countries.

Mr. McKINNON: Mr. Crerar, may I interrupt at that point, and say that I doubt that you need to follow out your theoretical case, because Mr. Couillard, I think is in a position to state that this question of the interpretation of the article came up at Havana and was discussed with the United States delegation. Is that right, Mr. Couillard?

Mr. COUILLARD: That is correct.

Mr. McKINNON: Now, you had better follow Senator Crerar's question.

Hon. Mr. CRERAR: What I am getting at is, how the difference can be resolved.

Hon. Mr. NICOL: There is no difference.

Mr. MCKINNON: I think Mr. Couillard can answer that definitely.

Mr. COUILLARD: The United States delegation was satisfied, as were their advisers and their legal officers, with the interpretation we place on Article 18, coupled with an interpretative note to Article 18, and the general exceptions to Chapter iv, namely Article 45—that our interpretation of those three provisions is correct, and they agreed that the embargo on margarine can be maintained.

Hon. Mr. CRERAR: Well, then, if the matter were prosecuted further, is there some court or some body that would adjudicate upon that?

Mr. COUILLARD: Yes, sir. I made slight reference to the nullification and impairment article of the General Agreement a moment ago. It would be under that article that the United States would complain to Canada, in this case that Canada's action is in conflict with the provisions of the General Agreement, and that the United States as a result are suffering a nullification or an impairment of a benefit which they normally could claim accrued to them under the agreement. The two countries would consult, and if agreement is not reached, then the case goes before the contracting parties acting jointly; the case is studied; and the contracting parties would first help the countries to reach a satisfactory solution, and if not reached, would make a ruling on the case.

Hon. Mr. ROBERTSON: By the "contracting parties" you mean all twenty-three countries?

Mr. COUILLARD: No, sir, by "the contracting parties" I mean the nine signatories of the protocol of provisional application, acting as a committee.

Hon. Mr. CRERAR: Then, supposing they did not reach an agreement—take the particular case of the United States—supposing the United States felt Canada was not living up to the agreement, they would ask, if they saw fit, for the right to withhold from Canada the benefits which she was securing under the trade agreements?

Mr. COUILLARD: That is right, sir.

Hon. Mr. CRERAR: That is the penalty if agreement is not reached?

Mr. COUILLARD: Yes, sir.

Hon. Mr. CRERAR: And if in the opinion of the contracting parties Canada was liable?

Mr. COUILLARD: That is correct. That would be the remedy granted the United States. The withdrawal of concessions, of course, would have to be equivalent to the nullification or impairment suffered by the United States.

The CHAIRMAN: That would be pretty difficult to establish?

Mr. COUILLARD: It might be, sir.

Hon. Mr. NICOL: How many countries were represented at Havana and at Geneva?

Mr. COUILLARD: There were twenty-three countries at Geneva; there were fifty-eight at Havana.

The CHAIRMAN: But some were only observers?

Mr. COUILLARD: I think I am correct in saying that there were fifty-eight delegations which actively participated in the Havana Conference.

Hon. Mr. NICOL: Is the new treaty at Havana completed and signed?

Mr. COUILLARD: Yes. There are very few copies in Canada—I think five—and this document here is the advance edition of the final act, charter and related documents.

Hon. Mr. NICOL: The contract is completed and signed?

Mr. COUILLARD: The final act? Yes. The charter goes now to national legislatures for ratification or otherwise.

Hon. Mr. NICOL: Was it signed by the fifty-eight countries?

Mr. COUILLARD: It was signed by fifty-three countries. The Argentine did not sign, Poland did not sign. Turkey, mostly I think for technical reasons regarding full powers, did not sign the final act at Havana.

Hon. Mr. NICOL: You spoke of countries that were not parties to the contract and could come in?

Mr. COUILLARD: Yes. I was referring to countries who are not contracting parties to the General Agreement on tariffs and trade.

Hon. Mr. NICOL: But could come in?

Mr. COUILLARD: Yes, sir.

Hon. Mr. NICOL: And get the benefit of the contract?

Mr. COUILLARD: That is correct.

Hon. Mr. NICOL: Would Spain be one of those countries?

Mr. COUILLARD: Spain was not invited to the Havana conference, sir.

Hon. Mr. NICOL: Could they be one of the countries that would come in?

Mr. COUILLARD: I think that a strict interpretation of the membership provisions, article 71, paragraph 2, of the charter would permit the conference of the future organization to discuss and possibly to approve an application on the part of Spain to become a party to the Havana charter. The question was not discussed at Havana, and I would personally think that that problem would be left to the United Nations.

Hon. Mr. CRERAR: May I come back again to this matter of a possible dispute between the United States and Canada? Take as an illustration this ban on margarine. Now, if that dispute were to develop, I understood you to say that the signatory powers would sit in judgment?

Mr. COUILLARD: That is correct.

Hon. Mr. CRERAR: Nine signatory powers would sit in judgment. If they supported the United States point of view, and Canada persisted, the United States then could invoke sanctions against Canada in the way of withdrawing the privileges that Canada enjoyed under the agreement, as far as the United States was concerned?

Mr. COUILLARD: They could be authorized to withdraw concessions, or indeed be released of certain obligations towards Canada to an extent appropriate and compensatory having regard to the nullification or impairment suffered by the United States; all this would be done if the contracting parties consider that the circumstances are serious enough.

Hon. Mr. CRERAR: Does the machinery provide that the nine other contracting parties would take similar action?

Mr. COUILLARD: That is not specifically covered. It would be a question to be treated on an *ad hoc* basis having regard to the nature of the case.

Hon. Mr. CRERAR: What I had in mind was, the other nine members might say, "Well, Canada has broken the rules of the club; therefore we all will jointly take action against Canada". Is that a possibility?

Hon. Mr. NICOL: They would have to have an injury.

Hon. Mr. CRERAR: I am assuming for the moment that when the nine nations sit in judgment on this dispute they would come to the conclusion that the the rules had been broken.

Hon. Mr. NICOL: A party must suffer an injury. You are asking if the remedy which applied to the United States would apply to the other nine. If they do not suffer an injury they cannot complain.

Hon. Mr. CRERAR: It is not a question of suffering an injury.

Mr. COUILLARD: It is as the hon. senator said.

Hon. Mr. CRERAR: This is the point I want cleared up. It is a case where one member of the club, so to speak, breaks the rules. Now, if one member of the club breaks the rules can the other nine members of the club say, "Well, you have violated the rules and we are going to bring you to time on it"? Can they do that?

Mr. COUILLARD: There are no provisions to that effect in either the Havana Charter or the General Agreement.

Hon. Mr. CRERAR: First he has got to break the rules. The first question is, does he break them?

Mr. COUILLARD: Before a country can bring a case before the organization, either the conference or the executive board, or, in the case of the agreement, to the contracting parties acting jointly, it must have suffered nullification or impairment of a benefit which would normally accrue to it under the agreement or under the charter; and any remedy which may be approved by either the conference or the executive board, or by the contracting parties must be appropriate—to use the terms of the charter—and compensatory. But first the country, as has been pointed out, must suffer a nullification or impairment, and secondly, the remedy must be appropriate and compensatory—and, of course, the circumstances must be sufficiently serious.

Hon. Mr. CRERAR: Well, the decision of the club is that the United States has, say, suffered an impairment in this case, that they have suffered an injury. Now, how is that righted? What is the process of punishment, or is there any, against the offending party?

Mr. COUILLARD: An action which the contracting parties could take would be to permit the United States to withdraw tariff concessions, or to release it from certain obligations towards the offending country.

Hon. Mr. CRERAR: Could the other members say, "Well, we will also withdraw these privileges that we have given Canada"? Could they do that?

Mr. COUILLARD: They could not do that.

The CHAIRMAN: In the case of margarine it would affect countries like the United States and possibly Denmark and other European countries that are exporters of that product.

Hon. Mr. ROBERTSON: I suppose they would join in the complaint.

Hon. Mr. KINLEY: As long as we do not manufacture it ourselves I do not think there should be any discrimination.

The CHAIRMAN: They have no right to say anything as to what we ourselves manufacture.

Hon. Mr. KINLEY: Take our excise tax. We have it against American automobiles and we have it in Canada, so there is no discrimination.

The CHAIRMAN: You are talking about manufacturing.

Hon. Mr. KINLEY: I am talking about the same thing you are. I am talking about oleomargarine.

The CHAIRMAN: This has only to do with the ban on importation.

Hon. Mr. NICOL: Do you not think this treaty goes beyond the single item of oleomargarine. Oleomargarine is only one item.

The CHAIRMAN: It is important.

Hon. Mr. NICOL: May I ask a question, Mr. Couillard? When do you expect the treaty to be put into force and executed?

Mr. COUILLARD: The Havana Charter, you mean, sir?

Hon. Mr. NICOL: Yes.

Mr. COUILLARD: The actual provisions in the charter regarding entry into force are as follows: From the date of the final act, which was signed on the 24th of March, 1948, until the 24th of March, 1949, a majority of those countries who signed the final act in Havana will be required to have deposited their instrument of acceptance before the charter can become operative. If my memory serves me correctly 53 nations signed the final act so that 27 instruments of acceptance must be deposited with the United Nations before the charter can come into force. That is for the first year—

The CHAIRMAN: That is, these concessions in the charter do not go into force until the 24th of March, 1949.

Hon. Mr. ROBERTSON: On the point of ratification, I suppose it is a matter of submitting to parliament for their approval what we have agreed to.

Hon. Mr. KINLEY: We have here a printed text of the Geneva agreement and charter, but I think we should also have in our possession a printed record of the changes made at Havana so that we can compare the two to see what was done. According to the press there were some important changes made so that nations could better control their interior economy. I think the press indicated there were a large number of nations who were not willing to surrender certain things.

The CHAIRMAN: That is what I was inquiring about in the first place. I understand that some nations wanted escape clauses and so on. Is that what you mean?

Hon. Mr. KINLEY: Yes. We should have the changes before us in print.

Hon. Mr. ROBERTSON: Parliament at the moment is considering the general approval of these tariff agreements. The matters arising out of the creation of the charter, to which Mr. Couillard has referred, are further matters which have to come before parliament in the future. Some time before March 24 the various signatory countries must have their respective parliaments ratify this, as distinct from the specific agreements that were entered into and which went into force,—in our case on January 1.

Hon. Mr. KINLEY: Havana did not change the tariffs. That was passed and done.

Hon. Mr. ROBERTSON: Right, and in due course parliament will be asked to ratify this.

Hon. Mr. KINLEY: The charter?

Hon. Mr. ROBERTSON: Yes. Whether it is to be this year or not is a matter of detail.

Hon. Mr. KINLEY: Can we have the text of the Havana Charter which supersedes this?

Hon. Mr. ROBERTSON: I think it will be forthcoming but I do not believe it is available at the moment.

Mr. McKINNON: It is being printed at the United Nations at the present time, but it is not yet available generally.

Hon. Mr. ROBERTSON: It will be available before parliament is asked to ratify it.

Mr. McKINNON: The charter is not before parliament.

Hon. Mr. BURCHILL: Could we have a situation where the tariff concessions and all that sort of thing are approved by parliament and the charter not approved?

Mr. McKINNON: Yes, that could be. The general agreement is now up for approval, whereas the charter has not yet been tabled in parliament.

Hon. Mr. BURCHILL: Is not the trade agreement based on the charter?

Hon. Mr. CRERAR: It is rather the reverse.

Mr. McKINNON: Might I illustrate: All last summer in Geneva the delegates of each country had to work in two distinct but related divisions. One group was attempting to formulate a draft charter to go to a conference at Havana. The other portion of the delegation, and this applies to every delegation, was engaged in actual tariff negotiations with the other countries represented at Geneva. Towards the end of the summer of 1947—I am trying to put this in general terms, Mr. Chairman, and as briefly as I can—it became obvious that some kind of charter was going to emerge from Geneva. Perhaps it might not be a perfect one but at least it would be a draft charter. At about the same time it became equally certain that there were going to be successfully completed, more than 100 tariff negotiations. As the fall approached, all of the 23 countries at Geneva, anticipating that there might never be a charter or fearful as to what kind of charter might come out of Havana, decided among themselves that they must get something at that time, as Senator Robertson has said, to serve as a vehicle to carry these tariff changes that had been negotiated among them. So, from the draft charter as it then stood, they borrowed certain important clauses—such as the one respecting most favoured nation treatment and the one regarding the method of valuation for customs duties, and so on—and they took those few necessary, vital paragraphs out of the charter, called them a General Agreement—the name indicates what it is—and attached the schedule of tariff changes to the General Agreement. That is what is now before the Canadian parliament, the General Agreement as it emerged from the Geneva conference, including the appended schedule of tariff changes. The draft charter has since gone to Havana; it has been debated for four months and has been altered to some extent, and in due course will in turn come before the constitutional authorities of each of the 53 countries for approval or rejection.

The CHAIRMAN: But the tariff changes made at Geneva are not affected by the Havana conference?

Mr. McKINNON: No; although they have to be formally approved, the tariff changes are provisionally in effect among the contracting parties.

Hon. Mr. ROBERTSON: As I understand it, in our case we enter into an agreement subject to parliamentary ratification. In the case of the United States these specific concessions before us were by the authority of the President in his negotiation of agreement, and have to be ratified by Congress. Our specific ones have to be ratified by parliament and are before us now. When it comes to the business of the charter and the various details in regard to what we may do in ratifying it, that has to go to parliament as well some time in the next year. It also has to go before the American Congress. In the case of the actual tariff concessions, however, they were authorized automatically.

The CHAIRMAN: Because the President has the power to reduce by 50 per cent.

Hon. Mr. NICOL: Is Canada now trading under the tariff agreement mentioned by Mr. McKinnon, or is it trading on the specific agreement made with different nations?

Mr. McKINNON: The large number of bilateral agreements worked out at Geneva were generalized among those present by virtue of the most favoured nation clause. Canada negotiated with the United States, let us say 1,000 items; with France, several hundred items; with the Arab states, Syria and Lebanon a few items; and several hundred items with Benelux. At the conclusion of the Geneva conference all these bilateral agreements were combined in one schedule, to which the most favoured-nation rule applies. The reductions in duties have been brought into effect provisionally by order in council, and are being extended to all the countries with which Canada has a most favoured nations agreement.

The CHAIRMAN: And they are in effect in the United States?

Mr. McKINNON: Yes.

Hon. Mr. KINLEY: What about import restrictions? For instance, we restrict the importation of many articles. We have a bill that does not allow many articles to be imported today. That means that so far as that bill is concerned the treaty does not apply.

Mr. McKINNON: Yes, we have that arrangement because Canada is in balance of payment difficulties; and any other country similarly so placed could impose the same prohibitions.

Hon. Mr. KINLEY: Has the United States not in some degree restricted the pro-function of the trade agreement?

Mr. McKINNON: No, but I think I know what you mean, senator. The President of the United States has the power to reduce tariffs by 50 per cent; if a rate is reduced from 28 per cent to 14 per cent, the reduction can immediately become effective, but United States customs legislation is a matter of law and has to be changed by Congress. The rates of duty themselves do not have to be changed by Congress. When the United States Congress has the charter before it—and let us assume they approve it; I do not know that, but let us assume so—then Congress is bound to make changes in its legislation to harmonize with the charter. Might I say that if in due course Canada approve the agreement and the charter, this country too will be bound to make consequential changes in certain existing legislation.

The CHAIRMAN: The President, as I understand it, has the authority to reduce tariff by 50 per cent and that immediately goes into force. So, if a duty of 28 per cent on some commodity is reduced to 14 per cent, can the United States President reduce that another 50 per cent and bring it down to 7 per cent, and so on, in another year?

Mr. McKINNON: He could in ensuing negotiations, and it is not specified that any minimum period of time shall intervene between negotiations.

The CHAIRMAN: If he wanted to wipe it out he could do so by a series of reductions. He could, for example, make a 50 per cent reduction at one time.

Hon. Mr. CRERAR: That is, if his powers did not run out.

Mr. McKINNON: Quite so; the presidential powers run out in June of this year, but of course they may be extended.

Hon. Mr. NICOL: Did the Canadian representatives endeavour to get larger quotas for the export of Canadian goods, such as farm products, to the United States? It is all very well to talk about reduction in duty, but we know that some of our products cannot be sent to the United States at all. What difference does it make whether the tariff on those products is reduced or not? In the old days, as Senator Crerar mentioned in the Senate yesterday, we shipped large quantities of milk and potatoes to the United States, but now there is a quota, and it is so small that our exportation amounts to almost nothing. Did you make an effort to obtain the removal of those quotas or an increase in them?

Mr. McKINNON: In some cases we got the quota removed entirely, sir; for instance, on wheat and wheat flour. In some cases we got a substantial increase in the quota combined with a reduction in the duty.

Hon. Mr. ROBERTSON: I think the specific products that Senator Nicol has in mind are milk and cream.

Mr. McKINNON: We have never boasted about what we did on milk and cream. The cream quota is one and a half million gallons and the fresh milk quota is three million gallons.

Hon. Mr. NICOL: That is now?

Mr. McKINNON: Yes, sir, as it was under the 1938 agreement.

Hon. Mr. NICOL: What was it before?

Mr. McKINNON: It is the same now as it was before; we got no increase in the quota. We got a reduction in the duty, however, on both.

Hon. Mr. NICOL: What is the good of that?

Mr. McKINNON: I do not want to say that I quite agree with you, sir, but we are not making any boasts about what we got on milk and cream. We are quite aware of what Senator Nicol has in mind, that the sanitary restrictions in the New York milk shed make it virtually impossible to export milk from Canada. We made a great deal of that, sir; we raised the question time after time, but naturally we were met with the response that the federal authority in respect of certain things cannot impose its will on a state authority; and when we protested against that argument, the United States negotiators replied that some of the Canadian provinces prohibit the exportation of certain things which federal legislation would permit; and we had to admit that that is the case.

Hon. Mr. NICOL: But that is not true to the same extent in Canada.

Mr. McKINNON: No, not to the same extent. In any event, we did have written into the agreement the undertaking that in each country the federal authority would use its best offices with subordinate jurisdictions to overcome such situations.

Hon. Mr. NICOL: You cannot cite five cases of provincial prohibition against importation.

Mr. McKINNON: Well, five—

Hon. Mr. NICOL: I do not think you could cite two. The provinces may think they have a right to prevent exportation, but they have not.

Mr. McKINNON: Well, they are doing it in some provinces, sir. For instance, I believe that some provinces have been and are prohibiting the export of pulpwood cut on Crown lands, and apparently nothing can be done about that by the federal government. The United States brought up such a case and said, "What is the use of giving you a reduction in duty if there is a provincial prohibition against the export?"

The CHAIRMAN: I think you mentioned that the Canadian government agreed to use its best offices with any province concerned in a matter of this kind. Did the United States make a similar agreement?

Mr. McKINNON: Yes, Mr. Chairman, that provision is in the agreement, signed by both countries.

The CHAIRMAN: What is the clause?

Mr. McKINNON: The clause says:

Each member shall take such reasonable measures as may be available to it to ensure observance of the provisions of this charter by the regional and local governments and authorities within its area.

Hon. Mr. NICOL: Except wood cut from Crown lands, I do not think there is any product whose exportation is prohibited by a province.

Mr. McKINNON: That clause which I read may be a pious hope, but it was as far as the federal negotiators could go.

Hon. Mr. NICOL: I may be wrong, but I have a feeling that unless Canada goes direct to the United States and makes an arrangement between the two governments, we shall get nowhere with the charter.

The CHAIRMAN: But if we did that we would have to extend the same terms to all the other countries.

Hon. Mr. NICOL: We have gone to Geneva and to Havana, where we have carried out discussions and made agreements, and I think that in the end those agreements will amount to very little.

The CHAIRMAN: I make this obvious observation, that the government of Canada would surely have no difficulty in persuading Mr. Duplessis and Mr. Drew to grant any concessions that the Dominion wished.

Mr. McKINNON: You are a better authority on that than I am, sir.

Hon. Mr. HOWARD: The province of Quebec has no restriction on the export of pulpwood to the United States, provided the wood was cut from land belonging to private citizens. The only restriction is on wood cut from Crown lands, which are the property of the province of Quebec.

Mr. McKINNON: That is right.

Hon. Mr. NICOL: And our pulpwood sells for less in the United States than it does here. Also, they are getting our paper for \$8 a ton cheaper in New York now than I pay for it in Quebec.

The CHAIRMAN: And oranges are cheaper here than in some parts of the United States.

Hon. Mr. ROBERTSON: The quota of one and a half million gallons of cream and three million gallons of milk has not been changed since the Hawley-Smoot tariff, and is about one-third of the quantity that we were shipping in 1920. I have no doubt that there will be further negotiations with the United States and I would suggest that Mr. McKinnon use his best efforts to have the present quota increased by at least three or four times, and also to have the New York State restrictions lifted. A dairyman tells me that there is no such restriction in the Boston market and that he could get an excellent price there.

Hon. Mr. NICOL: I think that suggestion should be made to the cabinet instead of to Mr. McKinnon.

Hon. Mr. ROBERTSON: I will do my best.

The CHAIRMAN: You have already made efforts along that line, have you not, Mr. McKinnon?

Mr. McKINNON: At Geneva Mr. Kemp made strenuous efforts to obtain an increase in the quota as well as a reduction in duty. The duty was reduced from 56 cents to 28 cents in 1938, and at Geneva we got it further reduced to 20 cents. We finally reached the point where by pressing unduly we could very easily have put ourselves in a difficult situation. Supposing the United States negotiators had said: "Yes, we will double that quota for you and we will also cut the duty to 14 cents, but what will you pay for it?" I think we would have replied: "We will not pay anything at all for that, because until the New York State sanitary restrictions are changed we would be paying for a pig in a poke".

The CHAIRMAN: The individual states have control of the sanitary regulations

Mr. McKINNON: Yes, Mr. Chairman. Senator Robertson mentioned the possibility of further negotiation; of course, we would always endeavour to get further concessions; but in any event a quota of three million gallons of milk and of one and a half million gallons of cream represents a substantial market. Secondly, the charter now says that a country may not use sanitary restrictions, etc., for protective purposes. We have never had that on paper before, and heretofore we could not challenge anything that was done by another country on the grounds of sanitary restrictions, but now these companies signed this agreement.

The CHAIRMAN: Is that part of the agreement within the jurisdiction of the federal government in the United States?

Mr. McKINNON: The federal authority has signed this.

The CHAIRMAN: Can the federal authority override the wishes of individual states?

Mr. McKINNON: We are relying on this: When the charter is approved by both countries we can, if our people so desire, contend before the federal authority in the United States that sanitary restrictions are in fact being used as a hidden protective device, and the federal authority would be bound to listen to the argument. We would have considerably stronger ground for raising that point now that we have this undertaking on paper.

The CHAIRMAN: But could the federal authority override the wishes of an individual state?

Mr. McKINNON: I do not know, Mr. Chairman; that will be their problem. We should have to attempt to prove that certain sanitary restrictions are being maintained for protective purposes; we could submit that our people are quite willing to have inspectors from across the border come here and inspect our establishments, or, as was done before, to have our own inspectors do the work, on the understanding that their certificate would be acceptable to the United States authorities. I think that if at that time Canada should indicate that it is willing to go more than half way in meeting this particular problem, the other country might be in some difficulty in maintaining an absolute prohibition, whether because of state regulations or anything else. However, I am not a lawyer.

Hon. Mr. NICOL: Mr. McKinnon, you were at Geneva and you knew that this country, with twelve million people, was buying twice as much from the United States, with its one hundred and forty million people, as they buy from us. Will it be possible through the Havana conference to have this situation changed, so that the trade will be proportionate to the respective populations?

Mr. McKINNON: We consistently argued at Geneva that it was in the United States interests to reduce their duties without getting anything in return, as a great creditor country. The only way in which the rest of the world could trade would be if the United States were prepared to take goods. We pressed that point repeatedly and I say without reservation that I think we so argued our case that we got very substantial concessions not only in the United States but in other countries.

Hon. Mr. ROBERTSON: Without giving any?

Mr. McKINNON: I do not say that we gave little; but I do think we gave in return less than had been expected when we left for Geneva.

The CHAIRMAN: There has been no protest throughout Canada.

Mr. McKINNON: I have not heard any protests.

Hon. Mr. ROBERTSON: The newspapers would not put it down as free trade.

Hon. Mr. BURCHILL: Mr. McKinnon, you mentioned 3,000,000 gallons of milk, which is a fairly substantial quantity under present circumstances—

Mr. McKINNON: Yes.

Hon. Mr. BURCHILL: Do you actually know what quantity Canada is getting through to the United States at the present time?

Mr. McKINNON: I would think it is a trickle, practically nothing.

Hon. Mr. BURCHILL: They are not even taking advantage of the present quota?

Mr. McKINNON: That is right.

Hon. Mr. ROBERTSON: The Canadian Government will not let the milk go to the United States. It is not the fault of the Americans. One dairyman remarked to me recently that he could sell milk in the United States for twice as much as he is getting in Canada, if the Canadian Government would let him do so. The same restrictions apply to meat and many other things.

Hon. Mr. CRERAR: It certainly applies to oats and barley.

Hon. Mr. NICOL: We live thirty miles from the American border, and a few years ago we were selling milk at \$2 when twenty miles from us they were paying \$5 for it. The result was that the Americans were at our doors trying to buy our milk. They could buy a milch cow for \$300 or \$400 and pay for it within eight months, and then they would have the cow and the calf for nothing.

The CHAIRMAN: They are doing it yet.

Hon. Mr. NICOL: That is so. I can show you in the Eastern Township newspapers where there are as many as twenty to twenty-five public sales per week; and they are at our door all the time trying to get our cattle.

Hon. Mr. CRERAR: The same condition prevails in the Wininpeg district.

Hon. Mr. ROBERTSON: While I would be pleased to do anything I could with the government, may I say that I think we have the best negotiators in the world. I personally made a criticism to Mr. McKinnon, because I, as a low tariff man, did not think he gave away enough under the trade agreement. I should like to see tariffs made lower on some items, but that is my Nova Scotian attitude. He quite properly said to me, "It is not my duty to give away; there will be further negotiations." I think that is quite a correct position to take. It seems to me this matter has great possibilities in view of the ever-increasing population in the United States and the fact that her production is dropping off on foodstuffs. Canada is in an excellent position, when conditions become a little more normal to take an active part in this field when the government of which I am a member feels in a position to remove the restrictions.

Hon. Mr. NICOL: I may be wrong, but I think the ambassador at Washington should lay down certain rules to some of these fellows and get concessions. The United States get 90 to 95 per cent of our newsprint, and what do we get in return?

The CHAIRMAN: We get dollars.

Hon. Mr. NICOL: We get dollars and then we spend them over there two to one.

The CHAIRMAN: Not now.

Hon. Mr. McLEAN: Sometimes we do not set a very good example. The same argument might be used by Newfoundland, who spends forty to forty-five million dollars here, and we spend seven or eight million dollars there; still we put an embargo on one of her leading products. In that way we are not setting a very good example ourselves.

Hon. Mr. NICOL: I believe you have reference to margarine. I don't think it is Newfoundland's leading product.

Hon. Mr. McLEAN: I said one of the products.

The CHAIRMAN: I suggest that Mr. Couillard be permitted to continue, if he has something further to give us.

Mr. COUILLARD: There were two additional changes to the existing text of G.A.T.T., which were agreed to in Havana. If you will permit me before I go on, sir, I should like to complete my answer to Senator Nicol concerning the entry into force of the charter.

In the first year we need a majority of the signatories to the Havana Final Act to bring the charter into force. After the first year only twenty countries who have ratified and accepted the charter can bring it into force. If on the 30th of September, 1949, the charter has not at that time entered into force, then the Secretary-General of the United Nations will call together those countries who have accepted the charter to decide whether and on what condition they wish to bring the charter into force. Now, the use of the outside date 30th of September, 1949, in the charter is, I think, indicative of the fact that it is not expected that the charter will enter into force before the summer, possibly the late summer, of 1949.

Returning now to G.A.T.T., Mr. Chairman. All my remarks have been directed to the actual changes agreed to in the existing text of the general agreement. The other two changes I referred to are: first, a protocol providing for the supersession, on January 1, 1949, of article XIV of the agreement by article 23 of the Havana charter. All 23 countries parties to the agreement signed this protocol. Article 23 is the article dealing with the exceptions to the rule of non-discrimination on the use of quantitative restrictions for balance of payments difficulties. It is a highly complex article, and I do not profess to be an expert on its subject matter.

The second change: At Havana there was a declaration signed by eighteen of the twenty-three countries, to the effect that they would not invoke a clause of the general agreement which gave them the right to object to the supersession of any provisions of the general agreement as they now exist, by the corresponding provisions of the Havana charter. That was necessary because the general agreement as you know, is an integral part, or will become so, of the Havana charter under article 17. Therefore, the forty or forty-five odd countries who are not contracting parties were quite anxious, before signing the final act of the Havana charter and before presenting the Havana charter to their government or parliament for ratification, to know exactly what provisions the general agreement would contain. In other words, it was feared that contracting parties might oppose the supersession of certain articles—for instance, the Latin American countries were particularly anxious for the eventual supersession of an article on economic development; if they could not be given some guarantee that that article would be superseded by the corresponding provisions of the Havana charter, it is very doubtful that we would have obtained 53 signatures out of a possible 56 or 58. The declaration was considered to be sufficient guarantee to those countries that such supersession would take place. The pertinent part of the declaration reads as follows: those eighteen countries:

declare that they will not lodge any such objection to the suspension and supersession of paragraphs 1 and 2 of Article I and Part II of the General Agreement on Tariffs and Trade.

A fourth and last protocol was signed in this case by the 23 countries signatories to the Geneva final act. It was a protocol of rectifications to the schedule of the general agreement. The vast majority, almost all rectifications, were of a typographical character.

Mr. Chairman, those in broad outline are the main changes, put into effect or provided for to the text of the general agreement, namely four protocols and one declaration, which I have to bring before this committee.

The CHAIRMAN: Do any members wish to ask any questions?

Hon. Mr. NICOL: I should like, Mr. Chairman, to ask Mr. McKinnon a question. It was stated that we are not shipping any milk or cream to the United States at the present time in any amount. Are we shipping canned milk and powdered milk to the United States?

Mr. McKINNON: Mr. Kemp will answer that question.

Mr. KEMP: We are exporting a good deal of it, but I do not know what the total is at the present moment.

Hon. Mr. NICOL: Because at the present time in our part of the country most of the milk is going to firms which turn it into canned milk or evaporated milk or powdered milk. Now that amounts to thousands of thousands of pounds. If we are shipping those to the United States, and the government allows it, that is the cheapest kind of milk to export. Now, why should the government or anybody prevent us from shipping five-dollar milk and allow us to ship two-and-a-half-dollar milk?

Mr. McKINNON: Well, of course, that relates to a matter of domestic policy with which I had nothing to do. At Geneva we were negotiating on the basis of ordinary normal conditions.

Hon. Mr. NICOL: I do not want to embarrass you, but I wondered if you knew that this powdered milk was being exported?

Mr. McKINNON: While Mr. Kemp is looking up these figures, I might say that we have the figures for concentrated milk powder, dried powdered milk, and whole milk powder, for the various countries, but just what percentage of the outward movement at the moment is going to the United States I would not care to say.

Mr. KEMP: I have here figures for the 1946 calendar year. Our exports of condensed milk, unsweetened, to the United States in that year were worth \$57,000. Dried powdered milk, there were no exports to speak of; the powdered milk was less than \$50,000.

Hon. Mr. NICOL: That answers my question.

Mr. McKINNON: It is mostly going, as Senator Howard says, to other countries than the United States.

The CHAIRMAN: Having concluded our questioning of the witnesses, and before we proceed with the draft report that is before me here for your consideration, I think I voice the feeling of the members of the committee when I say that we owe the thanks of the committee to these gentlemen,—Mr. McKinnon, Mr. Couillard, Mr. Reisman and Mr. Kemp—for an excellent job well done. I think they are a credit to themselves and a credit to Canada for the work they have done at Geneva and Havana.

Hon. Mr. McLEAN: I think we have very courageous and efficient negotiators.

Mr. McKINNON: I should say on behalf of the officials that it has been a great pleasure to appear before this committee. It has been a source of information to us and, as far as I am concerned, of inspiration to myself. The free and easy manner in which the proceedings are conducted, by direct question and answer, has been very agreeable, and we have been very much helped.

The CHAIRMAN: Thank you very much.

The committee then proceeded to consider the content of its report.

